

# *Financial Statements*

CITY OF WARTBURG, TENNESSEE

Year Ended June 30, 2015

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Mayor and Aldermen  
City of Wartburg, Tennessee  
Wartburg, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Wartburg, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Wartburg, Tennessee's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Wartburg, Tennessee as of June 30, 2015, and the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund, state street aid fund and the drug fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Wartburg, Tennessee's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedules of investments, long-term debt requirements and expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of investments, long-term debt requirements and expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The schedules of utility rates and metered customers and principal officials have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2016, on our consideration of City of Wartburg, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wartburg, Tennessee's internal control over financial reporting and compliance.

*Mitchell Emert & Hill*

July 6, 2016

**City of Wartburg**  
**P.O. Box 386**  
**121 N. Kingston Street**  
**Wartburg, TN 37887**

**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

The management of City of Wartburg, Tennessee (the City) presents this management's discussion and analysis (MD&A) of the City's financial condition and results of operations for the fiscal year ended June 30, 2015. This information should be read in conjunction with the accompanying financial statements.

This MD&A also presents an overview of the City and the sewer fund, known as the primary government. The government-wide financial statements include only the primary government which is the total reporting entity.

**Financial Highlights**

The following are key financial highlights:

- The assets of the City were more than its liabilities at June 30, 2015 by \$7,563,780 (\$7,160,614 in 2014).
- The City's net position increased by \$403,166 during the year ended June 30, 2015. The City's net position decreased by \$2,445 during the year ended June 30, 2014.
- At June 30, 2015 the City's governmental funds reported combined ending fund balances of \$673,321; a decrease of \$61,486 for the year ended June 30, 2015. At June 30, 2014 the City's governmental funds reported combined ending fund balances of \$734,807; a decrease of \$26,061 for the year ended June 30, 2014. As of June 30, 2015, \$565,832 (\$590,858 in 2014) of governmental fund balances was unassigned and available for ongoing operations.
- At June 30, 2015 the unassigned general fund balance was \$565,832 (\$590,858 in 2014) or 64 percent (68 percent in 2014) of general fund expenditures. These unassigned fund balances demonstrate the City's fiscal discipline and will help meet unexpected emergencies and other uncertainties the City may face during the course of everyday operations.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector

business. The *statement of net position* presents information on all the City's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General government
- Public safety
- Public works
- Public welfare
- Streets and highways

The business-type activities of the City include sewer services provided by the sewer fund.

The government-wide financial statements can be found on pages 10 to 12 of this report.

**Fund Financial Statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.



The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheets and in the governmental fund statements of revenue, expenditures and changes in fund balances for the general fund, state street aid fund and the drug fund, all of which are considered to be major funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all major funds and are presented on pages 18 to 24.

*Proprietary Funds* - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has one enterprise fund to account for sewer collection.

The City's enterprise fund, the sewer fund, is a major fund and is reported separately in the government-wide and fund financial statements. The proprietary fund financial statements are presented on pages 25 to 28 in the basic financial statements.

Notes to the Financial Statements - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Internal Control and Compliance Section - This includes the auditors' report on the City's internal controls and compliance.

## **Government - Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2015 the City's net position was \$7,563,780 (\$7,160,614 in 2014).

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, sewer facilities, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate long-term debt.

At June 30 the City's statement of net position consisted of the following:

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets	\$ 1,559,590	\$ 1,567,827
Capital assets, net of accumulated depreciation	<u>7,557,002</u>	<u>7,200,899</u>
	<u>\$ 9,116,592</u>	<u>\$ 8,768,726</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 227,582	\$ 171,214
Noncurrent liabilities	<u>1,325,229</u>	<u>1,436,897</u>
	1,552,811	1,608,111

	<u>2015</u>	<u>2014</u>
<b>NET POSITION</b>		
Net investment in capital assets	6,120,109	5,654,114
Restricted	183,959	220,419
Unrestricted	<u>1,259,713</u>	<u>1,286,081</u>
	<u>7,563,780</u>	<u>7,160,614</u>
	<u>\$ 9,116,592</u>	<u>\$ 8,768,726</u>

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the obligations to employees and creditors and to help fund next year's budget.

Following is a summary of financial activities for the City during the fiscal year:

	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>		
Program Revenue:		
Fees, fines and charges for services	\$ 788,664	\$ 737,363
Capital grants and contributions	401,617	34,116
Operating grants and contributions	26,109	25,629
General Revenue:		
Local taxes	624,050	604,893
State and federal - unrestricted	80,459	82,149
Miscellaneous	11,145	5,882
Investment income	<u>286</u>	<u>574</u>
	1,932,330	1,490,606
<b>EXPENSES</b>		
General government	138,592	135,635
Public safety	336,024	332,576
Public works	374,469	366,524
Public welfare	69,107	62,454
Streets and highways	48,887	31,826
Sewer	<u>562,087</u>	<u>564,035</u>
	<u>1,529,165</u>	<u>1,493,051</u>
<b>Increase(decrease) in net position</b>	403,166	(2,445)
<b>Net position at the beginning of the year</b>	<u>7,160,614</u>	<u>7,163,059</u>
<b>Net position at the end of the year</b>	<u>\$ 7,563,780</u>	<u>\$ 7,160,614</u>

Governmental Activities - For the year ended June 30, 2015, governmental activities decreased the City's net position by \$64,238 (\$49,320 in 2014).

The City's main sources of revenue are from property tax, local option sales tax, local and state-shared taxes which consist of tax revenue shared by the State of Tennessee, and sewer charges.

Business-Type Activities - For the year ended June 30, 2015, business-type activities increased the City's net position by \$467,404 (\$46,876 in 2014).

### Capital Assets

The City's investment in capital assets as of June 30, 2015 was \$7,557,002 (\$7,200,899 in 2014) net of accumulated depreciation.

### Governmental Activities

	<u>2015</u>	<u>2014</u>
Land	\$ 138,600	\$ 138,600
Machinery and equipment	709,465	686,542
Buildings	1,007,994	1,007,994
Accumulated depreciation	<u>(1,065,507)</u>	<u>(999,062)</u>
	<u>\$ 790,552</u>	<u>\$ 834,075</u>

### Business-type activities

	<u>2015</u>	<u>2014</u>
Land	\$ 5,709	\$ 5,709
Construction in process	679,174	112,967
Right of ways	29,749	29,749
Machinery and equipment	64,511	64,511
Utility plant	7,951,323	7,951,323
Accumulated depreciation	<u>(1,964,017)</u>	<u>(1,797,436)</u>
	<u>\$ 6,766,450</u>	<u>\$ 6,366,823</u>

### Debt Administration

At June 30, 2015 the City's proprietary fund had outstanding debt of \$1,257,508 (\$1,330,162 in 2014) consisting of the following:

	<u>2015</u>	<u>2014</u>
Sewer revenue and tax bonds	\$ 485,349	\$ 502,371
State Revolving Fund Loan	<u>772,159</u>	<u>827,791</u>
Total debt-principal	1,257,508	1,330,162
Less: current portion due	<u>(74,278)</u>	<u>(72,650)</u>
Total long-term debt-principal	<u>\$ 1,183,230</u>	<u>\$ 1,257,512</u>

During the year ended June 30, 2015, the City retired \$72,650 (\$70,815 in 2014) of its proprietary fund debt.

At June 30, 2015 the City's governmental funds had outstanding debt of \$179,385 (\$216,620 in 2014) consisting of the following:

	2015	2014
Capital outlay note	\$ 173,000	\$ 203,000
Capital lease	<u>6,385</u>	<u>13,620</u>
	179,385	216,620
Less: current portion due	<u>(37,385)</u>	<u>(37,237)</u>
Total long-term debt-principal	<u>\$ 142,000</u>	<u>\$ 179,384</u>

During the year ended June 30, 2015, the City retired \$37,237 (\$34,800 in 2014) of its governmental funds' debt.

### **Financial Analysis of the City's Funds**

As previously discussed, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund's fund balance decreased by \$25,026 during the year ended June 30, 2015 (\$20,319 in 2014).

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position for the sewer fund was \$616,716 for the year ended June 30, 2015 and \$621,593 for the year ended June 30, 2014, which is 10% (11% in 2014) of the total net position of the sewer fund.

### **General Fund Budgetary Highlights**

During the year ended June 30, 2015, final amended budgeted expenditures of the general fund increased approximately \$53,000 from original budgeted expenditures due to salaries and capital additions expenses.

### **Contacting the City's Financial Management**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in this subject. If you have questions about this report or need additional financial information, contact City of Wartburg, P.O. Box 386, Wartburg, TN 37887. Our phone number is 423-346-2323.

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF NET POSITION**

June 30, 2015

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash	\$ 609,401	\$ 556,611	\$ 1,166,012
Certificate of deposit - debt service	0	100,000	100,000
Accounts receivable	7,116	82,731	89,847
Due from other governments	56,573	0	56,573
Internal balances	(19,341)	19,341	0
Taxes receivable	62,123	0	62,123
Grants receivable	0	61,455	61,455
Prepaid insurance	23,530	0	23,530
Utility deposits	0	50	50
Capital assets not being depreciated	138,600	714,633	853,233
Capital assets being depreciated, net of accumulated depreciation	<u>651,952</u>	<u>6,051,817</u>	<u>6,703,769</u>
	<u>\$ 1,529,954</u>	<u>\$ 7,586,638</u>	<u>\$ 9,116,592</u>

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES</b>			
Accounts payable	\$ 8,542	\$ 95,840	\$ 104,382
Accrued salaries	3,470	0	3,470
Payroll taxes payable	434	0	434
Customer meter deposits	0	7,633	7,633
Current portion of long-term debt	37,385	74,278	111,663
Long-term debt, net of current portion	<u>141,999</u>	<u>1,183,230</u>	<u>1,325,229</u>
	191,830	1,360,981	1,552,811
<b>NET POSITION</b>			
Net investment in capital assets	611,168	5,508,941	6,120,109
Restricted:			
Debt service	0	100,000	100,000
Street improvements	54,675	0	54,675
Drug enforcement	29,284	0	29,284
Unrestricted	<u>642,997</u>	<u>616,716</u>	<u>1,259,713</u>
	<u>1,338,123</u>	<u>6,225,657</u>	<u>7,563,780</u>
	<u>\$ 1,529,954</u>	<u>\$ 7,586,638</u>	<u>\$ 9,116,592</u>

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

		Program Revenue		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	<u>Expenses</u>			
<b>Governmental Activities:</b>				
General government	\$ 138,592	\$ 134,833	\$ 0	\$ 0
Public safety	336,024	25,958	0	0
Public works	374,469	0	0	0
Public welfare	69,107	0	0	0
Streets and highways	<u>48,887</u>	<u>0</u>	<u>26,109</u>	<u>0</u>
Total governmental activities	967,078	160,791	26,109	0
<b>Business-Type Activities:</b>				
Sewer	<u>562,087</u>	<u>627,874</u>	<u>0</u>	<u>401,617</u>
	<u>\$ 1,529,165</u>	<u>\$ 788,664</u>	<u>\$ 26,109</u>	<u>\$ 401,617</u>

Net (Expense)Revenue and  
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (3,759)	\$ 0	\$ (3,759)
(310,066)	0	(310,066)
(374,469)	0	(374,469)
(69,107)	0	(69,107)
<u>(22,777)</u>	<u>0</u>	<u>(22,777)</u>
(780,178)	0	(780,178)
<u>0</u>	<u>467,404</u>	<u>467,404</u>
<u><u>\$ (780,178)</u></u>	<u><u>\$ 467,404</u></u>	<u><u>\$ (312,774)</u></u>



CITY OF WARTBURG, TENNESSEE

**STATEMENT OF ACTIVITIES**

(continued)

Year Ended June 30, 2015

**NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES**

**General Revenue:**

Taxes:

Local sales tax

Business taxes

Wholesale beer taxes

Intergovernmental

Investment earnings

Miscellaneous

Total general revenue

**CHANGES IN NET POSITION**

**NET POSITION AT THE BEGINNING OF THE YEAR**

**NET POSITION AT THE END OF THE YEAR**

See the accompanying notes to the financial statements.

Net (Expense)Revenue and  
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (780,178)	\$ 467,404	\$ (312,774)
521,712	0	521,712
5,398	0	5,398
96,940	0	96,940
80,459	0	80,459
286	0	286
11,145	0	11,145
<u>715,940</u>	<u>0</u>	<u>715,940</u>
(64,238)	467,404	403,166
<u>1,402,361</u>	<u>5,758,253</u>	<u>7,160,614</u>
<u><u>\$ 1,338,123</u></u>	<u><u>\$ 6,225,657</u></u>	<u><u>\$ 7,563,780</u></u>

CITY OF WARTBURG, TENNESSEE

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

June 30, 2015

	General Fund	Drug Fund
<b>ASSETS</b>		
Cash	\$ 525,407	\$ 29,692
Accounts receivable	7,116	0
Prepaid insurance	23,530	0
Due from other governments	52,132	0
Taxes receivable	62,123	0
	<u>\$ 670,307</u>	<u>\$ 29,692</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,354	\$ 407
Accrued salaries	3,470	0
Payroll taxes payable	434	0
Due to other funds	19,341	0
	29,599	407
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred tax revenue	51,346	0
<b>FUND BALANCES</b>		
Nonspendable	23,530	0
Restricted	0	29,284
Unassigned	565,832	0
	<u>589,362</u>	<u>29,284</u>
	<u>\$ 670,307</u>	<u>\$ 29,692</u>

See the accompanying notes to the financial statements.

State Street Aid Fund	Totals
\$ 54,302	\$ 609,401
0	7,116
0	23,530
4,441	56,573
0	62,123
<u>\$ 58,743</u>	<u>\$ 758,743</u>
\$ 1,780	\$ 8,542
0	3,470
0	434
0	19,341
<u>1,780</u>	<u>31,787</u>
2,288	53,634
0	23,530
54,675	83,959
0	565,832
<u>54,675</u>	<u>673,321</u>
<u>\$ 58,743</u>	<u>\$ 758,743</u>

CITY OF WARTBURG, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

June 30, 2015

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 673,321</b>
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	790,552
Long-term liabilities are not due in the current period and, therefore, are not reported in the governmental funds balance sheet.	(179,384)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	<u>53,634</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,338,123</u></b>

See the accompanying notes to the financial statements.



CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	<u>General Fund</u>	<u>Drug Fund</u>
<b>REVENUE</b>		
Taxes:		
Local sales tax	\$ 518,747	\$ 0
Cable TV franchise tax	5,398	0
Housing authority	5,096	0
Wholesale beer tax	96,940	0
Intergovernmental	81,927	0
Licenses and permits	650	0
Receipts for use of facilities	86,082	0
Charges for service	48,101	0
Fines and forfeitures	9,829	11,032
Investment earnings	231	23
Miscellaneous	<u>9,104</u>	<u>1,324</u>
<b>TOTAL REVENUE</b>	862,105	12,379
<b>EXPENDITURES</b>		
Current:		
General government	135,940	0
Public safety	276,301	29,447
Public works	374,469	0
Parks and recreation	37,477	0
Streets and highways	0	0
Debt service	48,147	0
Capital outlay	<u>14,797</u>	<u>8,125</u>
<b>TOTAL EXPENDITURES</b>	<u>887,131</u>	<u>37,572</u>

State Street Aid Fund	Totals
\$ 0	\$ 518,747
0	5,398
0	5,096
0	96,940
24,073	106,000
0	650
0	86,082
0	48,101
0	20,862
32	286
0	10,428
24,105	898,589
0	135,940
0	305,748
0	374,469
0	37,477
36,090	36,090
0	48,147
0	22,922
36,090	960,792



CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2015

	<u>General Fund</u>	<u>Drug Fund</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(25,026)	(25,193)
<b>OTHER FINANCING SOURCES</b>		
Sale of equipment	<u>0</u>	<u>717</u>
<b>(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	(25,026)	(24,476)
<b>FUND BALANCES AT THE BEGINNING OF THE YEAR</b>	<u>614,388</u>	<u>53,760</u>
<b>FUND BALANCES AT THE END OF THE YEAR</b>	<u><u>\$ 589,362</u></u>	<u><u>\$ 29,284</u></u>

See the accompanying notes to the financial statements.

State Street Aid Fund	Totals
(11,984)	(62,203)
<u>0</u>	<u>717</u>
(11,984)	(61,486)
<u>66,659</u>	<u>734,807</u>
<u>\$ 54,675</u>	<u>\$ 673,321</u>

CITY OF WARTBURG, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

<b>(Deficiency) of Revenue and Other Financing Sources Over Expenditures</b>	<b>\$ (61,486)</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Acquisition of capital assets	22,922
Depreciation expense	(66,445)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	37,237
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:	
Deferred tax revenue - June 30, 2014	(50,101)
Deferred tax revenue - June 30, 2015	<u>53,634</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (64,238)</u></u></b>

See the accompanying notes to the financial statements.

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**  
**GENERAL FUND**

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Taxes:				
Local sales tax	\$ 535,000	\$ 513,957	\$ 518,747	\$ 4,790
Cable TV franchise tax	4,500	5,200	5,398	198
Wholesale beer tax	100,000	95,196	96,940	1,744
Housing authority	5,000	5,096	5,096	0
	<u>644,500</u>	<u>619,449</u>	<u>626,181</u>	<u>6,732</u>
Intergovernmental:				
State income tax	4,000	6,047	0	(6,047)
State gas inspection	1,900	1,873	1,873	0
State beer tax	450	203	203	0
State sales tax	75,000	72,000	69,120	(2,880)
Telecommunications tax	80	85	91	6
TVA in-lieu of tax payments	<u>7,500</u>	<u>7,617</u>	<u>10,640</u>	<u>3,022</u>
	<u>88,930</u>	<u>87,826</u>	<u>81,927</u>	<u>(5,899)</u>
Licenses and permits:				
Permits	1,200	650	650	0
Receipts for use of facilities:				
Rental income	86,289	86,210	86,082	(128)
Fines and forfeitures	0	9,870	9,829	(41)
Charges for service:				
S.R.O.	18,000	23,200	23,200	0
Garbage collection charges	<u>25,000</u>	<u>25,000</u>	<u>24,901</u>	<u>(99)</u>
	<u>43,000</u>	<u>48,200</u>	<u>48,101</u>	<u>(99)</u>

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**  
**GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other revenue:				
Interest	250	194	231	37
Miscellaneous revenue	<u>500</u>	<u>0</u>	<u>9,104</u>	<u>9,104</u>
	<u>750</u>	<u>194</u>	<u>9,335</u>	<u>9,141</u>
<b>TOTAL REVENUE</b>	864,669	852,398	862,105	9,707
<b>EXPENDITURES</b>				
City Recorder's office:				
Salaries and wages	46,980	47,845	48,695	850
Payroll taxes	5,402	5,402	5,402	0
Health insurance	0	3,925	2,565	(1,360)
Workers' compensation	550	239	239	0
Insurance	6,250	7,135	7,228	93
Publications and advertising	3,500	2,900	5,018	2,118
Professional services	8,200	8,150	6,000	(2,150)
Travel	1,500	1,500	1,479	(21)
Education and training	250	550	380	(170)
City attorney	4,000	950	950	0
Housing authority	0	500	300	(200)
Office supplies	3,000	2,600	1,622	(978)
Miscellaneous	<u>5,339</u>	<u>7,500</u>	<u>8,154</u>	<u>654</u>
	<u>84,971</u>	<u>89,196</u>	<u>88,031</u>	<u>(1,164)</u>
City buildings:				
Utilities	15,500	15,400	17,038	1,638
Telephone	5,000	5,000	5,364	364
Insurance	17,000	18,185	18,185	0
Repairs and maintenance	<u>4,500</u>	<u>7,188</u>	<u>7,321</u>	<u>134</u>
	<u>42,000</u>	<u>45,773</u>	<u>47,908</u>	<u>2,136</u>

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**  
**GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Salaries and wages	128,500	156,826	153,574	(3,252)
Payroll taxes	11,696	11,696	11,696	(0)
Health insurance	30,000	31,000	25,464	(5,536)
Workers' compensation	13,000	13,963	13,963	0
Telephone	5,000	6,500	6,473	(27)
Uniforms and supplies	2,000	4,000	3,240	(760)
Repairs and maintenance	15,000	17,500	17,501	1
Gas, oil and grease	20,750	18,830	16,827	(2,003)
Public education	500	0	483	483
Liability insurance	8,000	10,466	10,466	0
Fire department donation	1,500	1,500	1,500	0
Utilities	0	0	3,757	3,757
Miscellaneous	21,500	8,500	11,356	2,856
	<u>257,446</u>	<u>280,781</u>	<u>276,301</u>	<u>(4,480)</u>
Parks and recreation:				
Recreational facilities	16,500	17,092	17,853	761
Holiday decorations	500	684	684	0
Utilities	15,000	19,444	17,737	(1,707)
Library expenses	1,500	1,204	1,204	0
	<u>33,500</u>	<u>38,423</u>	<u>37,477</u>	<u>(947)</u>
Public works:				
Salaries and wages	197,000	196,900	195,724	(1,176)
Payroll taxes	9,902	25,061	15,204	(9,857)
Health insurance	74,500	68,537	57,008	(11,529)
Workers' compensation	22,000	22,248	22,248	0

## CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**  
**GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Public works (continued):				
Utilities	11,000	10,000	10,109	109
Telephone	6,800	8,690	8,397	(293)
Street maintenance	25,000	20,000	18,470	(1,530)
Uniforms	6,000	10,500	9,985	(515)
Operating supplies	20,000	14,500	14,492	(8)
Gas, oil and grease	13,750	14,050	15,532	1,482
Liability insurance	3,000	3,567	3,567	0
Waste collection	4,300	3,400	2,822	(578)
Miscellaneous	100	66	912	846
	<u>393,352</u>	<u>397,519</u>	<u>374,469</u>	<u>(23,050)</u>
Capital outlay:				
Public works	5,000	5,500	14,797	9,297
Public safety	1,000	12,150	0	(12,150)
	<u>6,000</u>	<u>17,650</u>	<u>14,797</u>	<u>(2,853)</u>
Debt service:				
Principal	35,900	42,948	42,950	2
Interest	11,500	5,197	5,197	0
	<u>47,400</u>	<u>48,145</u>	<u>48,147</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>864,669</u>	<u>917,487</u>	<u>887,131</u>	<u>(30,356)</u>

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**  
**GENERAL FUND**

(continued)

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	(65,089)	(25,026)	40,063
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>65,089</u>	<u>614,388</u>	<u>549,299</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 589,362</u>	<u>\$ 589,362</u>

See the accompanying notes to the financial statements.



CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
DRUG FUND**

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Drug related fines	\$ 10,000	\$ 9,050	\$ 11,032	\$ 1,982
Other	<u>1,025</u>	<u>2,143</u>	<u>1,347</u>	<u>(796)</u>
<b>TOTAL REVENUE</b>	11,025	11,193	12,379	1,186
<b>EXPENDITURES</b>				
Drug investigation	3,500	4,600	3,690	(910)
Salaries	0	22,150	22,150	(0)
Payroll taxes	0	0	1,633	1,633
Capital outlay	2,000	8,150	8,125	(25)
Miscellaneous	<u>5,525</u>	<u>5,050</u>	<u>1,974</u>	<u>(3,076)</u>
<b>TOTAL EXPENDITURES</b>	<u>11,025</u>	<u>39,950</u>	<u>37,572</u>	<u>(2,378)</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	(28,757)	(25,193)	3,564
<b>OTHER FINANCING SOURCES</b>				
Sale of equipment	<u>0</u>	<u>0</u>	<u>717</u>	<u>717</u>
<b>(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	0	(28,757)	(24,476)	4,281
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>28,757</u>	<u>53,760</u>	<u>25,003</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,284</u>	<u>\$ 29,284</u>

See the accompanying notes to the financial statements.

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET  
STATE STREET AID FUND**

Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
State gas and motor fuel tax	\$ 24,000	\$ 24,500	\$ 24,073	\$ (427)
Interest	<u>42</u>	<u>25</u>	<u>32</u>	<u>7</u>
<b>TOTAL REVENUE</b>	24,042	24,525	24,105	(420)
<b>EXPENDITURES</b>				
Asphalt and paving supplies	42	14,337	14,337	0
Street lighting	<u>24,000</u>	<u>21,000</u>	<u>21,753</u>	<u>753</u>
<b>TOTAL EXPENDITURES</b>	<u>24,042</u>	<u>35,337</u>	<u>36,090</u>	<u>753</u>
<b>(DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	0	(10,812)	(11,984)	(1,172)
<b>FUND BALANCE AT THE BEGINNING OF THE YEAR</b>	<u>0</u>	<u>10,812</u>	<u>66,659</u>	<u>55,847</u>
<b>FUND BALANCE AT THE END OF THE YEAR</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,675</u>	<u>\$ 54,675</u>

See the accompanying notes to the financial statements.

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF NET POSITION**  
**SEWER FUND**

June 30, 2015

**ASSETS**

**CURRENT ASSETS**

Cash	\$	556,611
Certificate of deposit-debt service		100,000
Accounts receivable		82,731
Due from other funds		19,341
Grants receivable		61,455
Utility deposits		<u>50</u>

**TOTAL CURRENT ASSETS** 820,188

**CAPITAL ASSETS**

Land	\$	5,709	
Construction in process		679,174	
Machinery and equipment		64,511	
Right of way		29,749	
Utility plant		<u>7,951,323</u>	
		8,730,466	
Accumulated depreciation		<u>(1,964,017)</u>	<u>6,766,449</u>
			<u><u>\$ 7,586,638</u></u>

See the accompanying notes to the financial statements.

**LIABILITIES AND NET POSITION****CURRENT LIABILITIES**

Accounts payable	\$	95,840	
Customer meter deposits		7,633	
Current portion of long-term debt		<u>74,278</u>	

**TOTAL CURRENT LIABILITIES** 177,751

**LONG-TERM DEBT,  
net of current portion**

1,183,230

1,360,981

**NET POSITION**

Net investment in capital assets	\$ 5,508,941	
Restricted	100,000	
Unrestricted	<u>616,716</u>	<u>6,225,657</u>

\$ 7,586,638

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**SEWER FUND**

Year Ended June 30, 2015

**OPERATING REVENUE**

Charges for services \$ 627,874

**OPERATING EXPENSES**

Salaries	\$ 65,958
Payroll taxes	9,829
Workers' compensation	3,654
Utilities	115,311
License and permits	6,822
Telephone	2,260
Sludge removal	29,752
Repairs and maintenance	71,584
Operating supplies	18,813
Chemicals	36,709
Depreciation	<u>166,581</u>

**TOTAL OPERATING EXPENSES** 527,275

**INCOME FROM OPERATIONS** 100,599

**NONOPERATING EXPENSE**

Interest expense 34,812

**INCOME BEFORE CAPITAL CONTRIBUTIONS** 65,787

Capital contributions 401,617

**CHANGE IN NET POSITION** 467,404

**NET POSITION AT THE BEGINNING OF THE YEAR** 5,758,253

**NET POSITION AT THE END OF THE YEAR** \$ 6,225,657

See the accompanying notes to the financial statements.

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF CASH FLOWS**  
**SEWER FUND**

Year Ended June 30, 2015

**CASH PROVIDED(USED) BY  
OPERATING ACTIVITIES**

Cash received from customers	\$ 610,945
Cash paid to employees	(65,958)
Cash paid to suppliers	<u>(304,276)</u>

**NET CASH PROVIDED  
BY OPERATING ACTIVITIES**

240,710

**CASH PROVIDED(USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (489,957)
Capital contributions	341,358
Principal payments on long-term debt	(72,650)
Interest paid on debt	<u>(34,812)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

(256,061)

**NET (DECREASE) IN CASH**

(15,351)

**CASH AT THE BEGINNING OF THE YEAR**

571,967

**CASH AT THE END OF THE YEAR**

\$ 556,614

CITY OF WARTBURG, TENNESSEE

**STATEMENT OF CASH FLOWS**

**SEWER FUND**

(continued)

Year Ended June 30, 2015

**RECONCILIATION OF INCOME**

**FROM OPERATIONS TO NET CASH**

**PROVIDED(USED) BY OPERATING ACTIVITIES**

Income from operations		\$ 100,599
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 166,581	
(Increase) in:		
Accounts receivable	(16,930)	
Due fom other funds	(2,654)	
(Decrease) in accounts payable	<u>(6,886)</u>	<u>140,111</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 240,710</u></b>

See the accompanying notes to the financial statements.

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015

**NOTE A - DESCRIPTION OF ORGANIZATION**

City of Wartburg, Tennessee (the City) was incorporated under Chapter 41 of the Private Acts of 1917, as amended by Chapter 230 of the Private Acts of 1992. The City operates under a Board of Mayor and Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, sewer utilities, public library, culture and recreation, and general administrative services.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Wartburg, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2015 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, are recorded only when the payment is due.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *state street aid fund* is used to account for the City's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries.

The *drug fund* is used to account for costs associated with drug investigation and control and officers' training.

The City reports the following major proprietary fund:

The *sewer fund* accounts for the activities of the sewer department, which operates and maintains a sewer collection system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show profit or loss similar to comparable private enterprises.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2015.

The effects of interfund activities have been eliminated for the government-wide financial statements.

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Proprietary funds financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund is charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. Net investment in capital assets at June 30, 2015 has been calculated as follows:

Governmental activities:

Capital assets	\$ 1,856,059
Accumulated depreciation	(1,065,507)
Principal balance on long-term debt	<u>(179,385)</u>
	<u>\$ 611,168</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Business-type activities:

Sewer fund:

Capital assets	\$ 8,730,466
Accumulated depreciation	(1,964,017)
Principal balance on long-term debt	<u>(1,257,508)</u>
	<u>\$ 5,508,941</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Net position of the state street aid fund is classified as restricted net position because its use is limited to street improvements. Net position of the drug fund is classified as restricted net position because its use is limited to drug enforcement. A portion of the net position of the sewer fund is restricted for debt service payments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Mayor and Aldermen or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balance

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Board of Mayor and Aldermen commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Mayor and Aldermen.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Budgets and Budgetary Accounting

Public hearings are conducted by the Board of Mayor and Aldermen to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. The annual appropriated budget for the general fund, state street aid fund, and drug fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts shown are those originally adopted, as well as the final budgets, which reflect amendments by the Board of Mayor and Aldermen.

Total expenditures may not exceed the total amount appropriated in the budget ordinance. The Board of Mayor and Aldermen is authorized to transfer budgeted amounts between departments; any revisions that alter the total appropriations must be approved through the passage of an ordinance by the Board of Mayor and Aldermen. Unused appropriations lapse at year-end.

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2015 no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$100 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 50 years.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE C - CASH AND INVESTMENTS**

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at June 30, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Bank deposits (checking and savings)	\$ 609,401	\$ 556,611	\$ 1,166,012
Certificate of deposit	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 609,401</u>	<u>\$ 656,611</u>	<u>\$ 1,266,012</u>
Unrestricted assets	\$ 609,401	\$ 556,611	\$ 1,166,012
Restricted assets	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 609,401</u>	<u>\$ 656,611</u>	<u>\$ 1,266,012</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

State of Tennessee law authorizes the City to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Bank balances held in each category are as follows:

Insured - FDIC	\$ 600,000
Insured - Tennessee Bank Collateral Pool	601,304
Collateralized with securities held by an agent in the City's name	<u>207,011</u>
	<u>\$ 1,408,315</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 138,600	\$ 0	\$ 0	\$ 138,600
<u>Capital assets being depreciated</u>				
Machinery and equipment	686,543	22,922	0	709,465
Buildings	<u>1,007,994</u>	<u>0</u>	<u>0</u>	<u>1,007,994</u>
	1,694,537	22,922	0	1,717,459
<u>Accumulated depreciation</u>				
Machinery and equipment	(510,635)	(46,279)	0	(556,914)
Buildings	<u>(488,427)</u>	<u>(20,166)</u>	<u>0</u>	<u>(508,593)</u>
	<u>(999,062)</u>	<u>(66,445)</u>	<u>0</u>	<u>(1,065,507)</u>
	<u>\$ 834,075</u>	<u>\$ (43,523)</u>	<u>\$ 0</u>	<u>\$ 790,552</u>

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 2,652
Public safety	19,365
Public welfare	31,630
Streets and highways	<u>12,797</u>
	<u>\$ 66,445</u>



## CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated</u>				
Land	\$ 5,709	\$ 0	\$ 0	\$ 5,709
Construction in process	112,967	566,207	0	679,174
Right of ways	<u>29,749</u>	<u>0</u>	<u>0</u>	<u>29,749</u>
	148,425	566,207	0	714,632
<u>Capital assets being depreciated</u>				
Machinery and equipment	64,511	0	0	64,511
Utility plant	<u>7,951,323</u>	<u>0</u>	<u>0</u>	<u>7,951,323</u>
	8,015,834	0	0	8,015,834
<u>Accumulated depreciation</u>				
Machinery and equipment	(39,607)	(5,443)	0	(45,050)
Utility plant	<u>(1,757,829)</u>	<u>(161,138)</u>	<u>0</u>	<u>(1,918,967)</u>
	<u>(1,797,436)</u>	<u>(166,580)</u>	<u>0</u>	<u>(1,964,017)</u>
	<u>\$ 6,366,823</u>	<u>\$ 399,627</u>	<u>\$ 0</u>	<u>\$ 6,766,449</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

**NOTE E - LONG-TERM DEBT**

Long-term debt at June 30, 2015 consisted of the following:

Governmental Activities:

Capital Outlay Note, Series 2007, due in annual installments of varying amounts including interest at 5.12% until maturity in 2020	\$ 173,000
Capital lease, due in monthly installments of \$657 including interest at 6.25% until maturity in 2016	<u>6,385</u> 179,385
Less current maturities	<u>(37,385)</u>
	<u>\$ 142,000</u>

Business-Type Activities:

Sewer Revenue and Tax Deficiency Bond, Series 1988, due in monthly installments of \$1,033 including interest at 6% until maturity in 2025	\$ 92,471
Sewer Revenue and Tax Bond, Series 1995, due in monthly installments of \$1,704 including interest at 5.25% until maturity in 2035	246,895
Sewer Revenue and Tax Bond, Series 1998, due in monthly installments of \$322 including interest at 4.5% until maturity in 2036	52,443

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Sewer Revenue and Tax Bond, Series 2005, due in monthly installments of \$487, including interest at 4.5% until maturity in 2044	93,540
State Revolving Fund Loan SRF 05-182, due in monthly installments of \$4,336 including interest at 1.23% until maturity in 2028	<u>772,159</u>
	1,257,508
Less current maturities	<u>(74,278)</u>
	<u>\$ 1,183,230</u>

Maturities of long-term debt as of June 30, 2015 are as follows:

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 37,385	\$ 9,043	\$ 46,427
2017	33,000	7,270	40,270
2018	35,000	5,581	40,581
2019	36,000	3,789	39,789
2020	<u>38,000</u>	<u>1,946</u>	<u>39,946</u>
	<u>\$ 179,385</u>	<u>\$ 27,629</u>	<u>\$ 207,013</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Business-Type Activities:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 74,278	\$ 33,842	\$ 108,120
2017	75,971	32,149	108,120
2018	77,731	30,389	108,120
2019	79,551	28,569	108,120
2020	81,445	26,675	108,120
2021	83,417	24,703	108,120
2022	85,470	22,650	108,120
2023	87,609	20,511	108,120
2024	89,826	18,294	108,120
2025	90,460	15,985	106,445
2026	81,588	14,021	95,609
2027	83,293	12,312	95,604
2028	69,556	10,569	80,125
2029	20,824	9,201	30,025
2030	21,900	8,119	30,019
2031	23,032	6,981	30,013
2032	24,222	5,784	30,006
2033	25,474	4,525	29,999
2034	26,792	3,200	29,992
2035	9,516	2,199	11,715
2036	7,521	1,841	9,362
2037	4,086	1,571	5,656
2038	4,273	1,374	5,648
2039	4,470	1,169	5,639
2040	4,675	954	5,629
2041	4,890	730	5,619
2042	5,114	495	5,609
2043	5,349	249	5,598
2044	<u>5,492</u>	<u>29</u>	<u>5,624</u>
	<u>\$ 1,257,508</u>	<u>\$ 339,089</u>	<u>\$ 1,596,597</u>

## CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	<u>Balance 7/1/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/15</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Capital note	\$ 203,000	\$ 0	\$ 30,000	\$ 173,000	\$ 31,000
Capital lease	<u>13,622</u>	<u>0</u>	<u>7,237</u>	<u>6,385</u>	<u>6,385</u>
	<u>\$ 216,622</u>	<u>\$ 0</u>	<u>\$ 37,237</u>	<u>\$ 179,385</u>	<u>\$ 37,385</u>

Interest costs incurred by governmental activities for the year ended June 30, 2015 were \$5,197, all of which were charged to expense.

	<u>Balance 7/1/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/15</u>	<u>Amounts Due Within One Year</u>
<u>Business-Type Activities:</u>					
Revenue Bond, 1988 Series	\$ 99,121	\$ 0	\$ 6,650	\$ 92,471	\$ 7,060
Revenue Bond, 1995 Series	254,200	0	7,305	246,895	7,698
Revenue Bond, 1998 Series	53,915	0	1,472	52,443	1,540
Revenue Bond, 2005 Series	95,135	0	1,593	93,541	1,664
State Revolving Fund Loan SRF 05-182	<u>827,791</u>	<u>0</u>	<u>55,632</u>	<u>772,159</u>	<u>56,316</u>
	<u>\$ 1,330,162</u>	<u>\$ 0</u>	<u>\$ 72,650</u>	<u>\$ 1,257,508</u>	<u>\$ 74,278</u>

CITY OF WARTBURG, TENNESSEE

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2015

Interest costs incurred by business-type activities for the year ended June 30, 2015 were \$34,812, all of which were charged to expense.

**NOTE F - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its general liability coverage, workers' compensation, destruction of property and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the City. It is not possible to estimate the amount of such additional assessments or refunds.

**NOTE G - EXPENDITURES EXCEEDED APPROPRIATIONS**

During the year ended June 30, 2015, expenditures of the state street aid fund exceeded appropriations by \$753.

**NOTE H – INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2015, amounts due to the sewer fund from the general fund resulting from short-term advances for shared costs totaled \$19,341.

## SUPPLEMENTARY INFORMATION

CITY OF WARTBURG, TENNESSEE

**INVESTMENTS**

June 30, 2015

	<u>Interest Rate</u>	<u>Amount</u>
<u>Certificate of deposit – sewer fund</u>		
Progressive Savings Bank		
#2282380	0.50%	\$100,000

See the accompanying independent accountants' audit report.



CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Capital Outlay Note, Series 2007			
Year ending June 30,			
2016	\$ 31,000	\$ 8,858	\$ 39,858
2017	33,000	7,270	40,270
2018	35,000	5,581	40,581
2019	36,000	3,789	39,789
2020	<u>38,000</u>	<u>1,946</u>	<u>39,946</u>
	<u>\$ 173,000</u>	<u>\$ 27,444</u>	<u>\$ 200,444</u>
 Capital Lease			
Year ending June 30,			
2016	<u>\$ 6,385</u>	<u>\$ 185</u>	<u>\$ 6,570</u>

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
Sewer Revenue and Tax Deficiency Bond, Series 1988			
Year ending June 30,			
2016	\$ 7,060	\$ 5,336	\$ 12,396
2017	7,496	4,900	12,396
2018	7,958	4,438	12,396
2019	8,449	3,947	12,396
2020	8,970	3,426	12,396
2021	9,523	2,873	12,396
2022	10,110	2,286	12,396
2023	10,734	1,662	12,396
2024	11,396	1,000	12,396
2025	10,775	300	11,075
	<u>\$ 92,471</u>	<u>\$ 30,169</u>	<u>\$ 122,639</u>

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Sewer Revenue and Tax Bond, Series 1995			
Year ending June 30,			
2016	\$ 7,698	\$ 12,750	\$ 20,448
2017	8,112	12,336	20,448
2018	8,548	11,900	20,448
2019	9,008	11,440	20,448
2020	9,493	10,955	20,448
2021	10,003	10,445	20,448
2022	10,541	9,907	20,448
2023	11,108	9,340	20,448
2024	11,705	8,743	20,448
2025	12,335	8,113	20,448
2026	12,998	7,450	20,448
2027	13,697	6,751	20,448
2028	14,434	6,014	20,448
2029	15,210	5,238	20,448
2030	16,028	4,420	20,448
2031	16,890	3,558	20,448
2032	17,799	2,649	20,448
2033	18,756	1,692	20,448
2034	19,765	683	20,448
2035	2,765	12	2,777
	<u>\$ 246,895</u>	<u>\$ 144,394</u>	<u>\$ 391,289</u>

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Sewer Revenue and Tax Bond, Series 1998			
Year ending June 30,			
2016	\$ 1,540	\$ 2,324	\$ 3,864
2017	1,611	2,253	3,864
2018	1,685	2,179	3,864
2019	1,762	2,102	3,864
2020	1,843	2,021	3,864
2021	1,928	1,936	3,864
2022	2,016	1,848	3,864
2023	2,109	1,755	3,864
2024	2,206	1,658	3,864
2025	2,307	1,557	3,864
2026	2,413	1,451	3,864
2027	2,524	1,340	3,864
2028	2,640	1,224	3,864
2029	2,761	1,103	3,864
2030	2,888	976	3,864
2031	3,021	843	3,864
2032	3,159	705	3,864
2033	3,304	560	3,864
2034	3,456	408	3,864
2035	3,561	249	3,810
2036	3,711	83	3,794
	<u>\$ 52,443</u>	<u>\$ 28,576</u>	<u>\$ 81,020</u>

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Sewer Revenue and Tax Bond, Series 2005			
Year ending June 30,			
2016	\$ 1,643	\$ 4,201	\$ 5,844
2017	1,718	4,126	5,844
2018	1,797	4,047	5,844
2019	1,880	3,964	5,844
2020	1,966	3,878	5,844
2021	2,056	3,788	5,844
2022	2,151	3,693	5,844
2023	2,250	3,595	5,844
2024	2,353	3,491	5,844
2025	2,461	3,383	5,844
2026	2,574	3,270	5,844
2027	2,692	3,152	5,844
2028	2,816	3,028	5,844
2029	2,945	2,899	5,844
2030	3,081	2,763	5,844
2031	3,222	2,622	5,844
2032	3,370	2,474	5,844
2033	3,525	2,319	5,844
2034	3,687	2,157	5,844
2035	3,856	1,988	5,844
2036	4,033	1,811	5,844
2037	4,219	1,625	5,844
2038	4,413	1,431	5,844
2039	4,615	1,229	5,844

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Sewer Revenue and Tax Bond, Series 2005 (continued)			
Year ending June 30,			
2040	\$ 4,827	\$ 1,017	\$ 5,844
2041	5,049	795	5,844
2042	5,281	563	5,844
2043	5,524	320	5,844
2044	<u>3,537</u>	<u>67</u>	<u>3,604</u>
	<u>\$ 93,540</u>	<u>\$ 73,696</u>	<u>\$ 167,236</u>

CITY OF WARTBURG, TENNESSEE

**LONG-TERM DEBT REQUIREMENTS**

(continued)

June 30, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Fund Loan			
SRF 05-182			
Year ending June 30,			
2016	\$ 56,316	\$ 9,252	\$ 65,568
2017	57,012	8,556	65,568
2018	57,720	7,848	65,568
2019	58,428	7,140	65,568
2020	59,148	6,420	65,568
2021	59,880	5,688	65,568
2022	60,624	4,944	65,568
2023	61,380	4,188	65,568
2024	62,136	3,432	65,568
2025	62,904	2,664	65,568
2026	63,684	1,884	65,568
2027	64,464	1,104	65,568
2028	48,463	339	48,802
	<u>\$ 772,159</u>	<u>\$ 63,459</u>	<u>\$ 835,618</u>

See the accompanying independent accountants' audit report.

CITY OF WARTBURG, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS**

June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban/ Development/Tennessee Department of Economic and Community Development	14.228	29115	\$ 401,617

**NOTE 1 - BASIS OF PRESENTATION**

This schedule summarizes the expenditures of City of Wartburg, Tennessee under programs of the federal government for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting.

See the accompanying independent accountants' audit report.



CITY OF WARTBURG, TENNESSEE

**UTILITY RATES AND METERED CUSTOMERS**

June 30, 2015

Metered rates:

First 2,000 gallons (minimum billing)	\$ 20.55
Next 8,000 (per thousand)	5.45
Next 10,000 (per thousand)	5.03
Over 20,000 (per thousand)	4.62
Residential and commercial tap fee	500.00
Nonrefundable service/transfer fee	35.00
Number of customers	517

See the accompanying independent accountants' audit report.

CITY OF WARTBURG, TENNESSEE

**PRINCIPAL OFFICIALS**

June 30, 2015

Jonathan Dagley, Mayor  
Phil Vespie, Alderman  
Bacel Gunter, Alderman  
Cheryl Collins, CMFO  
Toni Hamby, City Recorder

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Mayor and Aldermen  
City of Wartburg, Tennessee  
Wartburg, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, business-type activities and each major fund of City of Wartburg, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Wartburg, Tennessee's basic financial statements, and have issued our report thereon dated July 6, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Wartburg, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Wartburg, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Wartburg, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, recommendations and management responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City of Wartburg, Tennessee's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, recommendations and management responses as 2015-001, 2015-002, 2015-003 and 2015-004 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Wartburg, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings, recommendations and management responses as item 2015-001.

### **City of Wartburg, Tennessee's Responses to Findings**

City of Wartburg, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. City of Wartburg, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Wartburg, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wartburg, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

July 6, 2016

CITY OF WARTBURG, TENNESSEE

**FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended June 30, 2015

Finding Number 2015-001 – Financial Oversight (repeat from prior year)

*Finding:* There are a limited number of personnel available and an improper segregation of duties exists in the areas of cash collection, preparing bank deposits, posting accounting records, preparing bank reconciliations and making disbursements. The City does not have sufficient internal control over its financial reporting process. There is no documentation indicating a review of bank reconciliations, cash receipts and disbursements, and journal entries. Purchase orders were not always used when required. There are inadequate controls in place to ensure that the City's financial statements are prepared in accordance with generally accepted accounting principles.

*Recommendation:* The Board of Mayor and Aldermen should establish review procedures for financial reporting and utilize their Certified Municipal Finance Officer (CMFO) for such review. Accounting duties should be divided among existing personnel to ensure proper segregation of duties. The Board of Mayor and Aldermen should consider assigning additional duties to their CMFO to ensure that proper segregation of duties exist.

*Management's Response:* We concur. We will perform and document review procedures for our financial reporting.

Finding Number 2015-002 – Accounting records (repeat from prior year)

*Comment:* The majority of the reconciling items listed on the bank reconciliations prepared during the year ended June 30, 2015 were not actually items which were needed to reconcile the bank balance to the general ledger. This resulted in an incorrect cash balance on the general ledger. There are numerous accounts payable balances recorded that are not due and these should be removed from the records. Prior year audit adjustments were not recorded and there were significant errors in the general ledger, including receipts deposited in the wrong fund (and not properly corrected) and significant reimbursements between funds were recorded in "transfer" accounts rather than the appropriate account. Significant receipts and disbursements were recorded in "miscellaneous" accounts.

*Recommendation:* Reconciling items listed on the bank reconciliations should be checked for accuracy each month to ensure the correct cash balance is recorded on the general ledger. The accounts payable aging detail should be scanned monthly for any accounts payable balances that are in error. Miscellaneous accounts should be avoided; transactions should be recorded in an appropriately descriptive account. Financial reports should be reviewed monthly by someone other than the recorder. Any errors should be investigated and corrected immediately.

*Management's Response:* We concur. We have reviewed the bank reconciliations and accounts payable records and our CMFO has corrected the erroneous entries.

CITY OF WARTBURG, TENNESSEE

**FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

(continued)

Year Ended June 30, 2015

Finding Number 2015-003 – Personnel records

*Comment:* Written approval for employee pay rates was not maintained. Most employees did not complete a time card; existing time cards were not signed by the employee or approved by management. Many time cards were not legible due to inadequate ink in the time clock. Funds were withheld from one employee's salary for a voluntary retirement savings account; however the withheld funds have not been remitted since July 2013.

*Recommendation:* Written documentation should be maintained for all pay rates including appropriate approval from officials. Time cards should be required for all hourly employees as determined in accordance with the Fair Labor Standards Act. Time cards should be signed by the employee and approved in writing by the employee's supervisor.

Procedures should be established to ensure that all payroll withholdings are paid timely, including employment taxes, insurance, garnishments, retirement, etc.

*Management Response:* We concur. Effective June 2016, all employees are required to submit time cards before they are paid. The funds withheld for retirement (plus estimated interest) have been remitted.

Finding Number 2015-004 – Fuel purchases (repeat from prior year)

*Comment:* The City has not established or enforced sufficient internal control over the fuel purchasing process which could lead to fraud. Several odometer readings reported in the Fuelman Fleet Management report did not appear to be accurate, such as mileage reported as zero and mileage decreasing or increasing by an unreasonable amount for the reported vehicle.

*Recommendation:* The City should ensure that there are sufficient internal controls over the fuel purchasing process established and that they are enforced to help mitigate the chance of fraud. This process would include reconciling the monthly statement for fuel purchases to receipts and requiring each receipt to indicate the individual making the purchase, vehicle identification, and odometer reading.

*Management Response:* We concur. We are in the process of correcting this. We now require a ticket for each purchase on the monthly fuel statement before the bill is paid. Employees will be reminded to enter accurate odometer readings when fuel is purchased.

CITY OF WARTBURG, TENNESSEE

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2015

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2015-001	Financial Oversight (original finding 2013-001)	Repeated
2015-002	Accounting Records (original finding 2013-002)	Repeated
2015-004	Fuel Purchases (original finding 2014-002)	Repeated
2014-001	Christmas Bonuses	Corrected